

ORIGINAL

OPEN MEETING



0000107375

**MEMORANDUM
RECEIVED**

TO: THE COMMISSION

2010 FEB 17 P 4: 28

FROM: Utilities Division

AZ CORP COMMISSION
DOCKET CONTROL

DATE: February 17, 2010

RE: VERDE SANTA FE WASTEWATER COMPANY'S APPLICATION FOR APPROVAL OF A REVISED TARIFF REDUCING THE COMMODITY RATE FOR EFFLUENT SALES (DOCKET NO. SW-03437A-09-0493)

Introduction

On October 24, 2009, Verde Santa Fe Wastewater Company ("VSFWC" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for a reduction in the commodity rate for effluent sales. On October 29, 2009, Staff requested a suspension of the time clock to evaluate this tariff filing. On December 8, 2009, the Commission issued Decision No. 71429 suspending the filing through March 10, 2010.

Background

Verde Santa Fe Wastewater Company is a subchapter C corporation located in Yavapai County, Arizona, in the vicinity of the Town of Cottonwood. Commission Decision No. 60779, dated April 8, 1998, granted the Company a Certificate of Convenience and Necessity ("CC&N") and also established the Company's current rates.

Consumer Services

Staff's review of the Commission's records for the period January 1, 2006, to November 9, 2009, found two complaints (e.g. rates, billing) and no inquiries. In 2006 and 2008, there were no complaints, inquiries, or opinions expressed. In 2007, there was one complaint regarding rates. In 2009, there was one complaint regarding billing. All complaints have been resolved and closed.

Compliance

The Company is not in good standing with the Commission's Corporations Division. The Company's annual report was due August 12, 2009. The Corporation was administratively dissolved on January 20, 2010, for the failure to file that annual report.

Arizona Corporation Commission

DOCKETED

FEB 17 2010

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JAN 21 2010

Staff Analysis

VSFWC's application requests to reduce its authorized tariff for the commodity rate for effluent sales from \$2.00 per 1,000 gallons to \$0.40 per 1,000 gallons.

Verde Santa Fe Golf Course is currently and has always been the Company's only effluent customer. The Company had been unsuccessful collecting the \$2.00 tariff rate from its effluent customer. Initially the Company billed the golf course at the tariff rate of \$2.00 per thousand gallons, but the golf course refused to pay more than \$0.23 per thousand gallons. On or before 2006, the Company began billing its effluent at \$0.23 per 1,000 gallons because that is the price the customer paid. In 2009, the Company began billing its effluent at \$0.40 per 1,000 gallons following an indication from its only customer that this rate was a reasonable charge for effluent. Despite those indications from the customer and the Company revising its billing rate to \$0.40 per 1,000 gallons, records show that the Company has only been able to collect charges at the \$0.23 per 1,000 gallon rate.

The Company's application asserts that Verde Santa Fe Golf Course is interested in using effluent; however, the present tariff rate makes use of effluent cost prohibitive. The Company claims the current effluent rate causes potential purchasers to look elsewhere. The Company's application states that the purpose of the revised tariff is two-fold: (1) to promote groundwater conservation by making the use of effluent in new and existing developments a viable economic alternative; and (2) to maintain and enhance the public health, safety and welfare by enhancing its ability to dispose of treated effluent.

The Company's application states that the requested tariff change is revenue neutral and a rate case is not required.

The requested effluent rate (\$0.40 per 1,000 gallons) is higher than the rate (\$0.23 per 1,000 gallons) the Company has historically collected for the effluent, but lower than the \$2.00 rate authorized by the Commission, and the Company's application indicates that the revised rate would promote use of effluent in new as well as existing developments. Accordingly, Staff concludes that the proposed tariff revision is not revenue neutral; and therefore, the proposed revision of the effluent tariff is appropriately considered in the context of a rate case which the Company should file no later than September 1, 2010.

Staff further concludes that the Company is not billing according to its authorized effluent tariff, and VSFWC should be directed to bill customers only its filed tariff rates.

Staff further concludes that the Company should file monthly, as a compliance item in this docket, a copy of its effluent billings to each effluent customer through December 2010 to verify that it is billing in accordance with its authorized effluent rate.

Staff Recommendations

Staff recommends denial of the Company's request to modify its effluent sales tariff.

Staff further recommends ordering the Company to bill its customers only its authorized tariff rates.

Staff further recommends that the Company file monthly, as a compliance item in this docket, a copy of its effluent billings to each effluent customer through December 2010 to verify that it is billing in accordance with its authorized effluent rate.

Staff further recommends that the Company file an application for permanent rates no later than September 1, 2010, using the most recent, practicable test year.

Staff further recommends that the Company take the appropriate and necessary actions to reinstate its good standing as soon as practicable and file, as a compliance item in this docket, documentation verifying its good standing with the Corporations Division at the Commission.



Steven M. Olea
Director
Utilities Division

SMO:GTM:lhmm\RM

Originator: Gary T. McMurtry

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 KRISTIN K. MAYES
 Chairman

3 GARY PIERCE
 Commissioner

4 PAUL NEWMAN
 Commissioner

5 SANDRA D. KENNEDY
 Commissioner

6 BOB STUMP
 Commissioner

7
8 IN THE MATTER OF THE APPLICATION
9 OF VERDE SANTA FE WASTEWATER
10 COMPANY FOR APPROVAL OF A
11 REVISED TARIFF REDUCING THE
12 COMMODITY RATE FOR EFFLUENT
13 SALES

DOCKET NO. SW-03437A-09-0493

DECISION NO. _____

ORDER

14 Open Meeting
15 March 2 and 3, 2010
16 Phoenix, Arizona

17 BY THE COMMISSION:

18 FINDINGS OF FACT

19 1. Verde Santa Fe Wastewater Company ("VSFWC" or "Company") is a subchapter
20 C corporation located in Yavapai County in the vicinity of Cottonwood, Arizona.

21 2. On October 24, 2010 VSFWC filed with the Arizona Corporation Commission
22 ("Commission") an application for a reduction in the commodity rate for effluent sales

23 3. On October 29, 2009, the Commission's Utilities Division Staff's ("Staff")
24 requested a suspension of the time clock to evaluate this tariff filing.

25 4. On December 8, 2009, the Commission issued Decision No. 71429 suspending the
26 filing through March 10, 2010.

27 5. Commission Decision No. 60779, dated April 8, 1998, granted the Company a
28 Certificate of Convenience and Necessity ("CC&N") and also established the Company's current
 rates.

1 6. Staff's review of the Commission's records for the period January 1, 2006, to
2 November 9, 2009, found two complaints (e.g., rates, billing) and no inquiries. In 2006 and 2008,
3 there were no complaints, inquiries, or opinions expressed. In 2007, there was one complaint
4 regarding rates. In 2009, there was one complaint regarding billing. All complaints have been
5 resolved and closed.

6 7. The Company is not in good standing with the Commission's Corporations
7 Division. The Company's annual report was due August 12, 2009. The Corporation was
8 administratively dissolved on January 20, 2010, for the failure to file that annual report.

9 8. VSFWC's application requests to reduce its authorized tariff for the commodity rate
10 for effluent sales from \$2.00 per 1,000 gallons to \$0.40 per 1,000 gallons.

11 9. Verde Santa Fe Golf Course is currently and has always been the Company's only
12 effluent customer.

13 10. Staff found that the Company had been unsuccessful collecting the \$2.00 tariff rate
14 from its effluent customer. Initially the Company billed the golf course at the tariff rate of \$2.00
15 per thousand gallons but the golf course refused to pay more than \$0.23 per thousand gallons. On
16 or before 2006, the Company began billing its effluent at \$0.23 per 1,000 gallons because that is
17 the price the customer paid. In 2009, the Company began billing its effluent at \$0.40 per 1,000
18 gallons following an indication from its only customer that this rate was a reasonable charge for
19 effluent. Despite those indications from the customer and the Company revising its billing rate to
20 \$0.40 per 1,000 gallons, records show that the Company has only been able to collect charges at
21 the \$0.23 per 1,000 gallon rate.

22 11. The Company's application asserts that Verde Santa Fe Golf Course is interested in
23 using effluent; however, the present tariff rate makes use of effluent cost prohibitive. The
24 Company claims the current effluent rate causes potential purchasers to look elsewhere.

25 12. The Company's application states that the purpose of the revised tariff is two-fold:
26 (1) to promote groundwater conservation by making the use of effluent in new and existing
27 developments a viable economic alternative; and (2) to maintain and enhance the public health,
28 safety and welfare by enhancing its ability to dispose of treated effluent.

13. The Company's application states that the requested tariff change is revenue neutral and a rate case is not required.

14. Staff found that the requested effluent rate (\$0.40 per 1,000 gallons) is higher than the rate (\$0.23 per 1,000 gallons) the Company has historically collected for the effluent, but lower than the \$2.00 rate authorized by the Commission, and the Company's application indicates that the revised rate would promote use of effluent in new as well as existing developments. Accordingly, Staff concluded that the proposed tariff revision is not revenue neutral; and therefore, the proposed revision of the effluent tariff is appropriately considered in the context of a rate case which the Company should file no later than September 1, 2010, using the most recent, practicable test year.

15. Staff further concluded that the Company is not billing according to its authorized effluent tariff, and VSFWC should be directed to bill customers only its filed tariff rates.

16. Staff further concluded that the Company should file monthly, as a compliance item in this docket, a copy of its effluent billings to each effluent customer through December 2010 to verify that it is billing in accordance with its authorized effluent rate.

17. Staff recommends denial of the Company's request to modify its effluent sales tariff.

18. Staff further recommends ordering the Company to bill its customers only its authorized tariff rates.

19. Staff further recommends that the Company file monthly, as a compliance item in this docket, a copy of its effluent billings to each effluent customer through December 2010 to verify that it is billing in accordance with its authorized effluent rate.

20. Staff further recommends that the Company take the appropriate and necessary actions to reinstate its good standing as soon as practicable and file, as a compliance item in this docket, documentation verifying its good standing with the Corporations Division.

CONCLUSIONS OF LAW

1. The Company is a public service corporation within the meaning of Article XV, Section 2 of the Arizona Constitution and A.R.S. §§40-250 and 40-252.

1 ...

2 2. The Commission has jurisdiction over the Company and of the subject matter of the
3 application.

4 3. The Commission, having reviewed the application and Staff's memorandum, dated
5 February 17, 2010, concludes that the Company's request to reduce its authorized tariff for the
6 commodity rate for effluent sales outside of a rate case is unlawful and not in the public interest.

7 4. Staff's recommendations, as set forth in Findings of Fact Nos. 17, 18, 19 and 20,
8 are reasonable and should be adopted.

9 ORDER

10 THEREFORE, IT IS ORDERED that the application by Verde Santa Fe Wastewater
11 Company, request to reduce its authorized tariff for the commodity rate for effluent sales is denied.

12 IT IS FURTHER ORDERED that Verde Santa Fe Wastewater Company shall bill its
13 customers only in accordance with its authorized tariff rates.

14 IT IS FURTHER ORDERED that Verde Santa Fe Wastewater Company shall file monthly,
15 as a compliance item in this docket, a copy of its effluent billings to each effluent customer
16 through December 2010 to verify that it is billing in accordance with its authorized effluent rate.

17 IT IS FURTHER ORDERED that Verde Santa Fe Wastewater Company shall file an
18 application for permanent rates no later than September 1, 2010, using the most recent, practicable
19 test year.

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1 IT IS FURTHER ORDERED that Verde Santa Fe Wastewater Company shall take the
2 appropriate and necessary actions to reinstate its good standing as soon as practicable and file, as a
3 compliance item in this docket, documentation verifying its good standing with the Corporations
4 Division.

5 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

6
7 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**
8

9
10 CHAIRMAN

COMMISSIONER

11
12 COMMISSIONER

COMMISSIONER

COMMISSIONER

13
14 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
15 Executive Director of the Arizona Corporation Commission,
16 have hereunto, set my hand and caused the official seal of
17 this Commission to be affixed at the Capitol, in the City of
18 Phoenix, this _____ day of _____, 2010.

19
20 _____
21 ERNEST G. JOHNSON
22 EXECUTIVE DIRECTOR

23
24 DISSENT: _____

DISSENT: _____

25 SMO:GTM:lhmm\RM
26
27
28

Decision No. _____

1 SERVICE LIST FOR: Verde Santa Fe Wastewater Company
2 DOCKET NO. SW-03437A-09-0943

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